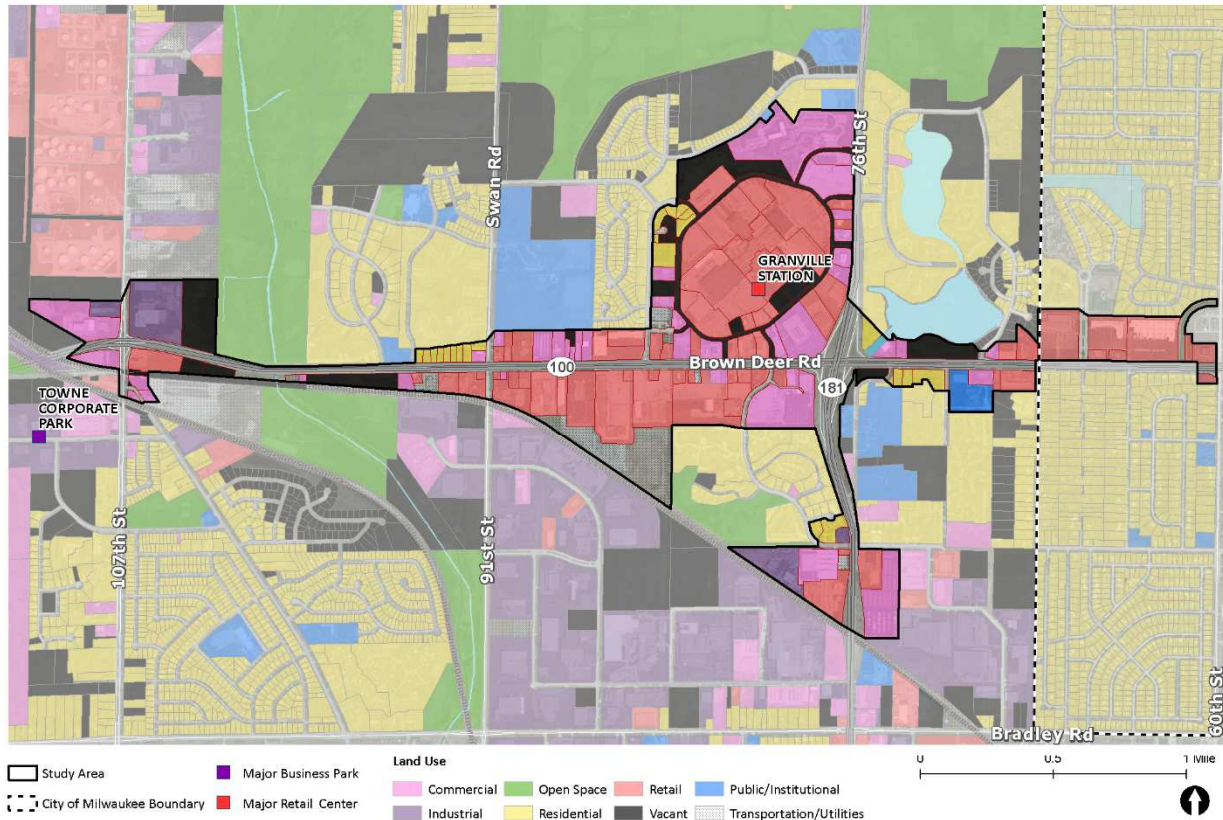


CITY OF MILWAUKEE AND VILLAGE OF BROWN DEER

# Brown Deer Road Market Study

May 30, 2014



## Table of Contents

Introduction .....	1
Retail Market Findings .....	3
Industrial Market Findings .....	8
Residential Market Assessment.....	13
Office Market Assessment .....	16
Other Potential Uses .....	17
Potential Redevelopment Strategies .....	18

## Introduction

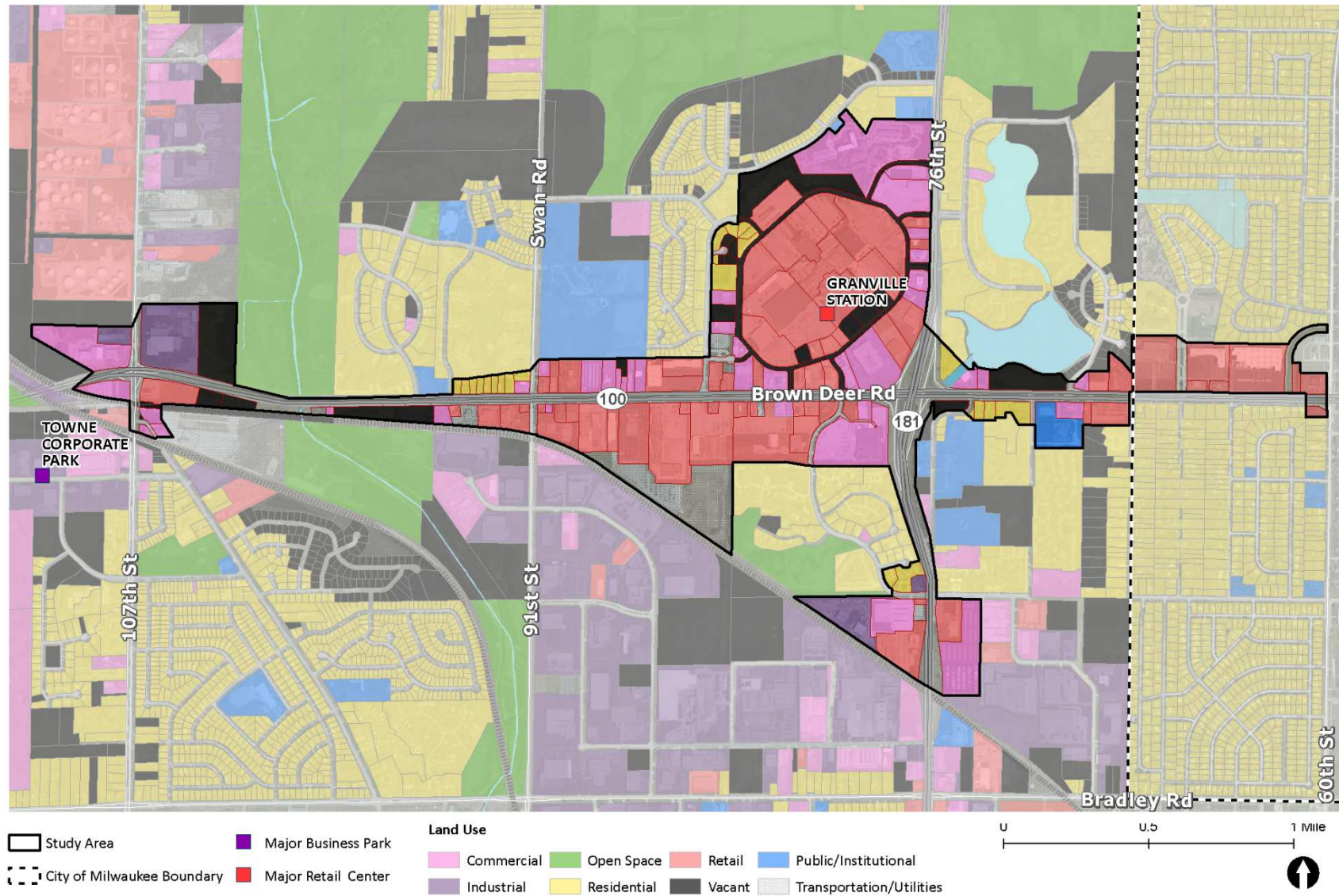
*SB Friedman Development Advisors* (“*SB Friedman*”) was retained by the Redevelopment Authority of the City of Milwaukee (“*RACM*”) to conduct a market analysis for the Brown Deer Road Corridor Land Use Study and Action Plan. As shown in **Figure 1** on the following page, the Brown Deer Road Corridor study area (“*Corridor*”) extends from the train tracks near 107<sup>th</sup> Street within the City of Milwaukee on the west to 60<sup>th</sup> Street in the Village of Brown Deer on the east. The Corridor, which is located within both the City of Milwaukee and the Village of Brown Deer, is predominantly a retail corridor, but it also includes office, service and industrial uses.

The former Northridge Mall (the “*Mall*”), closed since 2003, is located within the Corridor at the corner of Brown Deer Road and 76<sup>th</sup> Street. The Mall was developed in the early 1970s as an enclosed regional shopping center totaling approximately 1.1 million square feet. Although it initially thrived, the Mall experienced a process of decline during the early 1990s due to such factors as perceived crime in the area and department store industry trends. In 2004 and 2005, the Mall’s owner developed a new retail center on a portion of the Mall site, with assistance from the City of Milwaukee (the “*City*”). This shopping center, called Granville Station, includes a Menards and a Pick ‘N Save grocery. In 2008, the City supported a plan to expand Granville Station by redeveloping additional portions of the Mall site; however, this second phase of development was not implemented, and over 1.0 million square feet of the site remains vacant.

Since the Mall’s closure, other retail centers in the Corridor are also experiencing high vacancy rates and closure and/or relocation of many national retailers. Strategic repositioning of the Mall site and other Corridor retail may be needed to align development with current market conditions and reduce the blighting effects that an empty mall can have on a commercial district.

*SB Friedman* conducted a high-level market study focused on retail and industrial uses to identify potential strategies to reposition the Brown Deer Road Corridor. A preliminary assessment of residential, office and other uses, including institutional, healthcare and entertainment was also conducted to assess whether these uses could be part of an overall redevelopment strategy. This summary report is intended to provide guidance to the City of Milwaukee and the Village of Brown Deer regarding the level and type of development that might be supported by the market.

Figure 1. Corridor Area Overview Map



Sources: Esri, Milwaukee County Automated Mapping and Land Information System, SB Friedman Development Advisors



## Retail Market Findings

### CHANGING RETAIL MARKET POSITION

The Brown Deer Corridor currently has over 2.6 million square feet of total retail space, including three big box anchors: Menards and Pick 'N Save at Granville Station, and a freestanding Target. The Corridor will soon include a Walmart Supercenter that will occupy the former Lowes store on the eastern edge of the study area, in the Village of Brown Deer (the Walmart that was located at the southwest corner of 76<sup>th</sup> Street and Brown Deer Road closed in 2012 due to restrictive covenants that prevented it from expanding into a Supercenter at that location). In addition, the Corridor also contains three shopping centers with smaller in-line stores and outlots, and several freestanding retail facilities along Brown Deer Road and the west side of 76<sup>th</sup> Street.

While the size and scale of the total retail space along the Corridor resembles that of a major retail destination with a regional draw, high vacancies and recent loss of national retailers suggest that the Corridor's market area has been eroded. Nearly 56 percent of the total retail square feet or approximately 1.6 million square feet along the Corridor is currently vacant. Much of this vacancy is concentrated at the former Northridge Mall, which accounts for over 1.0 million square feet of vacant retail. However, even if the vacant mall building is excluded, the vacancy rate of the remaining 1.9 million square feet of retail is over 37 percent. **Figure 2** shows the prevalence of vacancy along the Corridor.

**Figure 2. Brown Deer Road Corridor Retail Vacancy**



Source: CoStar, SB Friedman Development Advisors

The high vacancy in the retail centers near the mall is a result of a number of big-box and junior-box retailers leaving the Corridor in the recent nationwide economic recession. Best Buy closed its location on 76<sup>th</sup> Street in 2010, and the Lowes at 6300 W. Brown Deer Road in Brown Deer closed in 2011 (as previously indicated, a Walmart Supercenter is opening at this location). More recently, the Dunham's Sports store on North 76<sup>th</sup> Street closed, and the Wisconsin chain American TV and Appliance announced plans to close all of its stores, including one located on the Brown Deer Road Corridor.

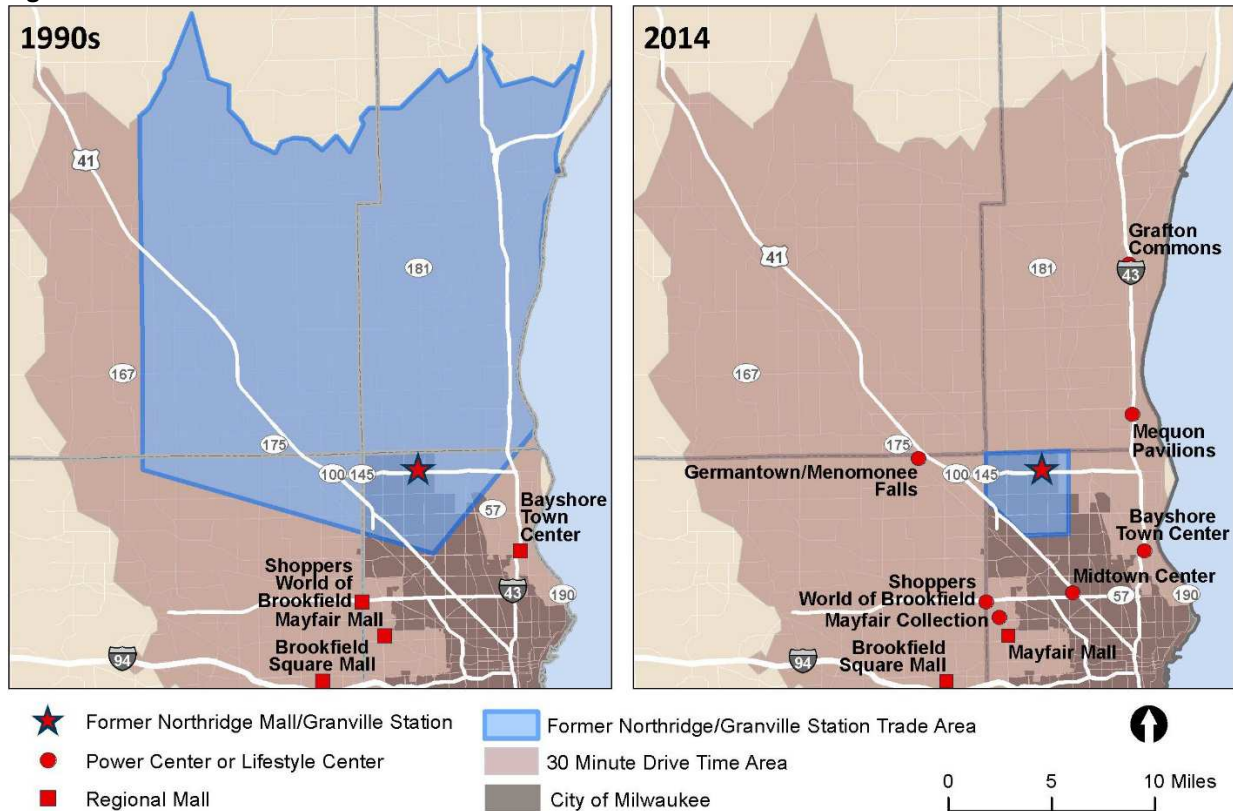
Our interviews, field observations, and analysis of the market suggest that there are a number of challenges that make it difficult for the Brown Deer Road Corridor to fill all the existing vacancies with retail uses and regain the regional drawing power that it once enjoyed. While retail vacancy for some of the centers should reduce as the economy recovers, *SB Friedman* believes that the prime opportunities for the Corridor may involve selective redevelopment or reuse of existing space with non-retail uses. The challenges and opportunities for the Corridor are as follows.

## MARKET CHALLENGES

- **Increased Competition and Reduced Trade Area.** Changing patterns in retail development and consumer shopping have re-shaped the trade area of the Corridor. In the 1990s, regional malls divided the Milwaukee region's consumer market area for regional-scale shopping. As a super-regional mall, Northridge Mall captured a relatively large portion of northern Milwaukee and the suburbs to the north and west. There were few competing regional retail developments located in the suburbs north and northwest of Milwaukee. In the current retail landscape, a number of recently-developed retail power centers and other large shopping centers have further divided this market area. In addition, interviews with brokers indicate that County Line Road and other roads form boundaries that suburban consumers often do not cross. **Figure 3** below shows the approximate trade area<sup>1</sup> of the former Mall/Corridor in the mid-1990s and the estimated current trade area of the retail within the Corridor. The reduction in drawing power of the Corridor is further evidenced by changes in the Average Daily Traffic ("ADT"), as measured and reported by the Wisconsin Department of Transportation. The number of cars travelling on Brown Deer Road and 76<sup>th</sup> Street has decreased by 24 percent to 29 percent in the past decade (**Figure 4**). A reduction in overall Corridor traffic further limits the number of potential customers for retail along the Corridor.

---

<sup>1</sup> In **Figure 3**, the Mall/Corridor trade area in the 1990s is defined by Thiessen polygons for all regional shopping malls that were in existence within the Milwaukee region, and a 30-minute drive time from Northridge Mall. Thiessen Polygons are polygons constructed from lines of equidistance between a set of points. In the Northridge Mall trade area the western, southern and eastern boundaries are drawn such that a potential consumer living along the border is equidistant from competing malls and a consumer living within the polygon is closest to Northridge Mall. The northern boundary of the trade area is constrained by a 30-minute drive time which is approximated to be a threshold drive time for the majority of consumers. The 2014 trade area is defined by Thiessen polygons for regional malls and power centers or lifestyle centers, and based on our interviews with retail brokers, is further constrained by major roads, including County Line Road and the Fond du Lac Freeway (Route 145).

**Figure 3. Brown Deer Road Corridor Trade Area**

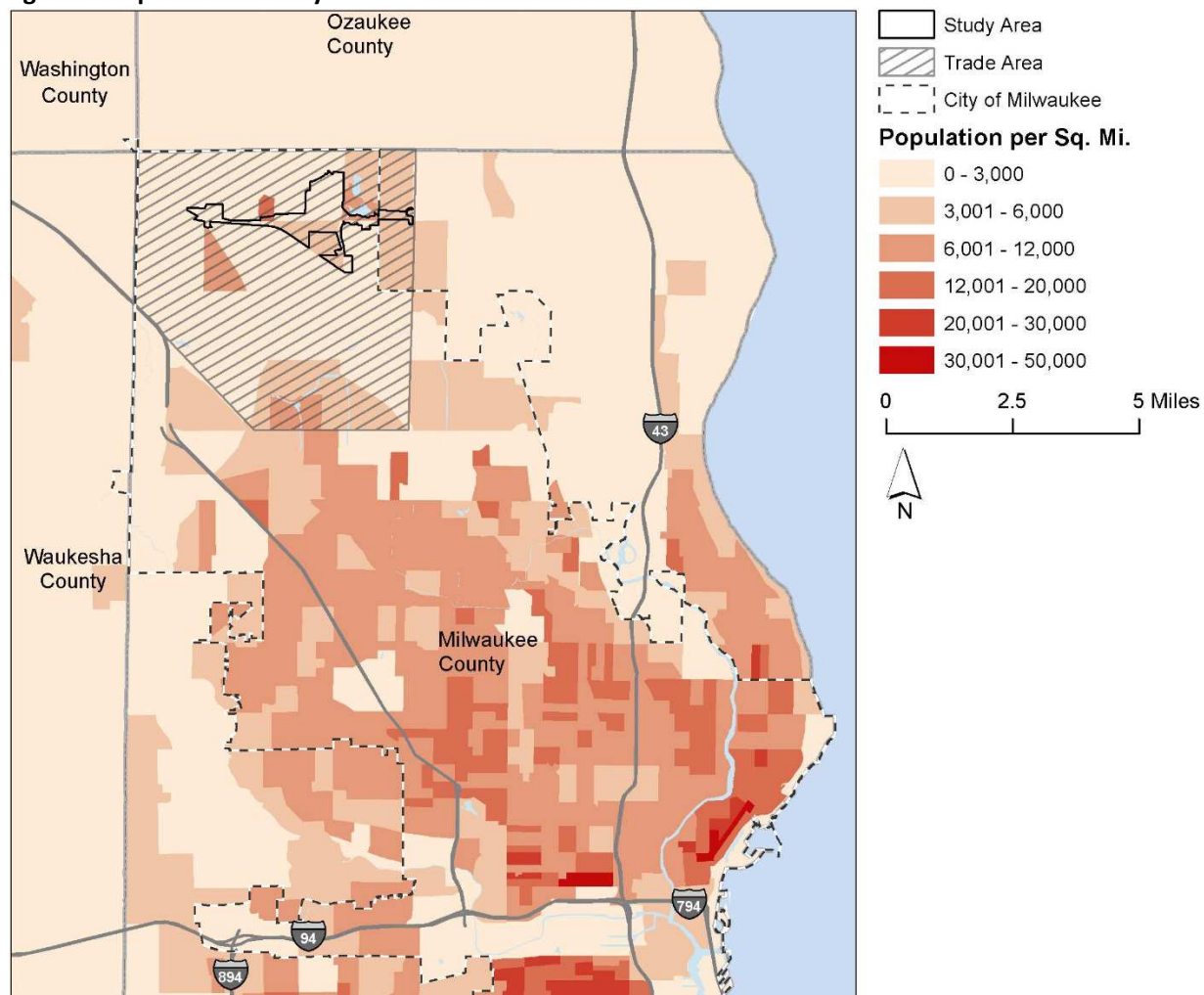
Sources: Esri, CoStar, SB Friedman Development Advisors

**Figure 4. Average Daily Traffic ("ADT") around the Brown Deer Road Corridor**

	Average Daily Traffic		Percent Change
	1997 - 2001	2010	
Brown Deer Road between Swan Road and 76 <sup>th</sup> Street	33,700 - 35,300	20,300 - 28,900	-29% (average)
76 <sup>th</sup> Street at Brown Deer Road	21,700	16,500	-24%

Sources: Wisconsin Department of Transportation, SB Friedman Development Advisors

- Relatively Low Population Density.** The limited population of the Corridor's new retail trade area compounds the impacts of growing regional retail competition. The area immediately surrounding the Corridor has a relatively low population - there are a few residential subdivisions, but approximately 40 percent of the land within the market area is non-residential or vacant. **Figure 5** shows the population density within the Corridor's estimated market area and in surrounding parts of Milwaukee and its suburbs. The Corridor currently serves a geographic area that has among the lowest population densities within the City. The low population density around the Corridor results in a relatively low retail spending potential within the current market area.

**Figure 5. Population Density in Northwest Milwaukee**

Source: Esri Business Analyst, SB Friedman Development Advisors

- Low Visibility and Poor Access.** The vacant eastern portion of the former Mall and the outlot properties to the east of the Mall along 76<sup>th</sup> Street have limited visibility due to the 76<sup>th</sup> Street overpass over Brown Deer Road and grade changes between 76<sup>th</sup> Street and Northridge Mall Road. The vacant Mall properties and outlots, which include the former Best Buy and Toys R Us, a high-vacancy office building, and the shopping center with the former Dunham's Sports, are primarily accessed from Northridge Mall Road (the ring road that surrounds the Mall). There are a few points to the north where sites can be accessed from 76<sup>th</sup> Street or driveways that connect 76<sup>th</sup> Street to Northridge Mall Road, but properties closer to the corner of Brown Deer Road and 76<sup>th</sup> Street are inaccessible from these major roads.
- Obsolescence of Older Retail Centers.** A number of retail centers along Brown Deer Road may face challenges to marketability due to obsolete site configuration, building size and low visibility. These factors may increase the difficulty of attracting both tenants and consumers. Shopping centers that are set back too far from the road may have limited visibility, and therefore are less able to attract customers. In addition, lots should be deep enough to accommodate retail buildings, appropriate parking and loading zones. Retail centers that are not



up to current standards for ceiling heights, configuration and visibility may have difficulty attracting retail tenants.

- **Perception and Safety.** Perception problems and concerns about crime and safety along the Corridor may also be barriers to retail success. Neighborhoods surrounding the Corridor are perceived to have high crime. Local business owners, brokers, developers and other stakeholders have indicated that security concerns deter both shoppers and investors, and that building security costs can be high. In response to these concerns, the Granville Business Improvement District (“BID”) has implemented programs to mitigate crime, including providing police bicycles for better patrolling of the local neighborhoods.

## MARKET OPPORTUNITIES

- **Strength of Existing Anchors.** Despite the loss of anchors in the area, the Corridor still has a number of large retail anchors, including Menards, Target, and Pick ‘n Save, which likely bring traffic to the Corridor and support other retail in the area. The new Walmart Supercenter that is opening at the former Lowe’s store will likely facilitate the reduction of in-line store vacancies and additional outlot development in the adjacent shopping centers.
- **Re-Tenancing Potential.** Despite high retail vacancy rates, some smaller vacant spaces may be filled over time as the economy strengthens. Retail and related uses that appear to have near-term potential within the area include fitness centers, auto parts and repair stores, independent or regional restaurants, and apparel stores.
- **Outlot Performance.** The outlot spaces along Brown Deer Road have performed relatively well. There are approximately 107,000 square feet in outlots along the Corridor and only 11.8 percent of this space is vacant (or 2 out of 23 total outlot buildings). The outlots have good access and visibility and include restaurants such as Denny’s, IHOP and Burger King, banks, auto dealerships, and wireless providers. There are a few opportunities for additional outlot development, including two undeveloped pad sites in the Village of Brown Deer in front of the former American TV and Appliance store.
- **Non-Retail Redevelopment.** The high incidence of vacant boxes combined with low retail rents that range from \$4.00 to \$12.00 per square foot, net of utilities, may provide an opportunity to attract less conventional users, including industrial uses, service uses such as indoor sports, education and public uses, and others attracted by relatively low rents. Where low access or low visibility may limit the appeal of existing developments for retail tenants, there may be opportunity to bring in non-retail uses to occupy space, bring traffic to the Corridor, and anchor retail centers. Penzey’s Spices has already indicated an interest in using a portion of the Mall building for office and distribution. Opportunities for non-retail redevelopment of existing retail space are explored further in the following sections.

## RETAIL MARKET CONCLUSIONS

The changing regional retail landscape appears to have undermined the competitive position of the Corridor. Although Granville Station was redeveloped such that it, along with adjacent retail centers in the Corridor, would regain some of the market presence of the former Northridge Mall, new competition has diminished the drawing power of the Corridor. Established consumer shopping patterns

may be difficult to change, and the perception of safety problems near the Mall may pose a further challenge to attracting consumers back to the Corridor. The low-density population and poor layout and visibility of some of the retail pose a further challenge to attracting major national retailers back to the Corridor. The outlots along Brown Deer Road as well as several shopping centers have healthy tenancy and appear to be functioning well, but increasing vacancy suggests that the viable footprint of retail in the Corridor is shrinking.

There are some opportunities to fill vacancies with retail uses, including fitness centers, apparel stores and restaurants as the economy recovers. Ultimately, however, it is unlikely that all of the Corridor's vacant retail spaces will be filled solely with retail. It will be important to identify opportunities to redevelop or adapt some of the existing retail development, particularly on sites with limited visibility, to non-retail uses such as industrial, flex, service and/or institutional uses.

## Industrial Market Findings

### TRENDS IN MANUFACTURING

Manufacturing throughout the U.S. has been enjoying a renaissance, due to trends of reshoring (the return of manufacturing activities previously relocated overseas), increasing productivity and low energy prices in the nation. According to the Bureau of Labor Statistics ("BLS"), the U.S. regained a net of 551,000 manufacturing jobs between 2010 and 2013. These trends are being experienced in the Milwaukee Metropolitan Region as well, where since 2010, manufacturing has added 9,475 jobs at a compounded annual growth rate of 2.6 percent. Manufacturing jobs are a key portion of the regional economic base accounting for about 14.0 percent of total regional employment. Both regional and City agencies recognize the importance of manufacturing to their economic future and are planning for growth and expansion of the manufacturing sector.

The Milwaukee 7 Framework for Regional Growth, which outlines economic opportunities in a seven-county region of southeast Wisconsin, focuses on enhancing a number of the region's existing industry clusters, including energy, water technology, and food and beverage manufacturing, and on promoting opportunities to enhance high-tech industry performance, innovation and entrepreneurship within the region. Recent successful recruitment efforts include Campbell's Soup, United Natural Foods, and Ingeteam, Inc., a manufacturer of wind turbines.

As part of the 30<sup>th</sup> Street Corridor Master Plan for the City of Milwaukee, *SB Friedman* identified target manufacturing subsectors that are likely over the long term to generate jobs and demand industrial real estate. Target sectors were identified as those manufacturing subsectors that have strong growth prospects (measured in terms of output), have historically exhibited high demand for industrial real estate, require workforce skills that match the local labor force, and have an existing critical mass of similar firms in the region and well-developed supply-chain linkages. The target manufacturing sectors identified in the study include the following:

- Fabricated metal product manufacturing;
- Food manufacturing;
- Machinery manufacturing; and
- Computer and electronic product manufacturing.

With a strong existing industrial base and commitments to support manufacturing growth at the regional and City level, Milwaukee appears well positioned to capture some of the growth in manufacturing industries. The City has supported manufacturing in part by establishing urban industrial parks to accommodate new development. By providing development-ready industrial land in the Northwest Side Industrial Land Bank and the Menomonee Valley Industrial Land Bank, the City has been extremely successful in attracting modern manufacturing businesses. Recently, the City cleared the former Tower Automotive site in midtown Milwaukee and is marketing the 60-acre development-ready site as the Century City Business Park.

### NORTHWEST MILWAUKEE REGION INDUSTRIAL MARKET PERFORMANCE

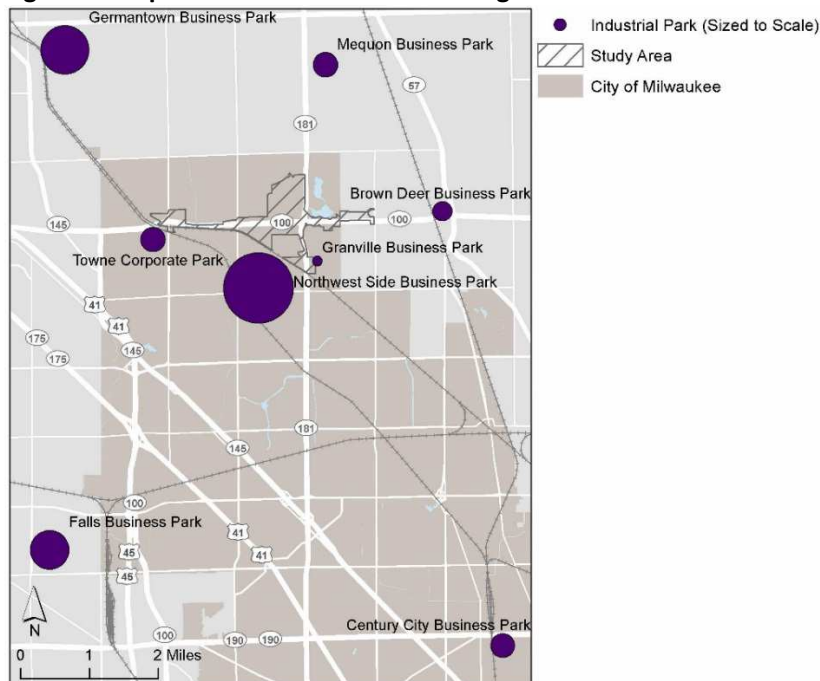
A market area that includes the northwestern portion of Milwaukee and adjacent suburbs, including the Villages of Germantown, Mequon and Brown Deer, was selected based on the spatial distribution of competing business parks around the Corridor (**Figure 7**). Recent industrial real estate trends in this area indicate a strong industrial market; absorption of industrial space has been relatively high since 2006, with an average annual absorption of almost 300,000 square feet, and over 880,000 square feet of new industrial space has been developed during this time.

**Figure 6. Northwest Milwaukee Region Industrial Market Summary**

<b>Total Rentable Area (sf)</b>	33.4 million
<b>Current Vacancy Rate</b>	7%
<b>New Deliveries (sf) 2006-2014</b>	887,000
<b>Total Net Absorption (sf) 2006-2014</b>	2.5 million
<b>Average Annual Net Absorption (sf)</b>	299,000

Sources: CoStar, SB Friedman Development Advisors

**Figure 7. Map of Northwest Milwaukee Region Industrial Parks**



Sources: CoStar, Esri, SB Friedman Development Advisors

The selected market area includes eight business/industrial parks as summarized in **Figure 8** on the following page. These parks have had great success at attracting industrial development on the northwest side. Five of these parks, including the Northwest Side Industrial Park, the Falls Business Park, the Brown Deer Business Park and Granville Business Park, are either fully built out or approaching full build-out. As previously indicated, the Century City Business Park is the newest industrial park in the City. The City started marketing this industrial park earlier this year (2014). It is zoned for heavy industrial uses, with land for sale at a price of \$55,000 per acre. Both Towne Corporate Park and Century City have lower land prices than the suburban business parks that are currently being marketed at prices ranging from \$79,900 to \$99,900 an acre. In addition, a new 192-acre business park is currently being proposed in Germantown.

These industrial parks have primarily been developed with build-to-suit facilities and fee simple land ownership. Because land is more readily available, suburban business parks tend to be larger and less dense with a Floor Area Ratio (FAR) of 0.12 to 0.20, while business parks in the City tend to be smaller with higher FARs of around 0.20 to 0.25. The larger parks that are over 100 acres tend to absorb industrial land at a faster rate ranging from 18 to nearly 30 acres a year. The smaller industrial parks of about 60 acres tend to absorb at 3 to 4 acres a year. Surveys of these business parks indicate that parcel size typically ranges from 5 to 8 acres, although parcel size outside this range is not uncommon.

As existing industrial parks approach full build-out, there may be opportunities for new industrial centers to begin development within the region. Parts of the Corridor may be able to be assembled for a new industrial park or incrementally transitioned to industrial uses over time.



**Figure 8. Northwest Side Industrial Park Performance [1]**

<b>Industrial Park</b>	<b>Approx. Development Period</b>	<b>Gross Land Area (Acres)</b>	<b>Net Acreage Developed</b>	<b>Approx. Annual Net Land Absorption (Acres)</b>	<b>Total RBA Developed (SF)</b>	<b>Built Floor Area Ratio</b>	<b>Typical Site Size (Acres)</b>	<b>Typical Building Size (SF)</b>	<b>Land Available (Acres)</b>	<b>Current Land Asking Price Per Acre</b>
Brown Deer Business Park	1979 - 1982	40	31	10	746,931	0.46	3	88,230	0	N/A
Falls Business Park	1989 - 1996	161	152	23	1,728,250	0.26	5	42,100	0	N/A
Germantown Business Park	2001 - Present	250	102	18	822,202	0.18	8	59,000	20	\$79,900 to \$89,900
Granville Business Park	1995	11	11	11	60,600	0.13	5	30,300	0	N/A
Mequon Business Park	2003 - Present	68	28	3	90,357	0.14	4	22,600	37	\$99,900
Northwest Side Industrial Park	1974 - 1991	604	463	29	5,167,897	0.26	5	58,500	0	N/A
Towne Corporate Park	1999 - Present	64	61	4	539,880	0.20	4	41,500	12	\$69,900
Century City Business Park	Opened 2014	60	–	–	–	–	–	–	60	\$55,000
<i>Proposed Germantown Business Park</i>	<i>Proposed</i>	<i>192</i>	–	–	–	–	–	–	–	–
<b>Summary</b>		<b>1,154</b>	<b>803</b>	<b>3 to 29</b>	<b>8,409,186</b>	<b>0.24</b>	<b>5</b>	<b>42,333</b>	<b>129</b>	<b>\$55,000 to \$99,900</b>

Sources: CoStar, SB Friedman Development Advisors

[1] Based on land area and rentable building area for properties within the park listed in CoStar, as available.

## **CORRIDOR POTENTIAL FOR INDUSTRIAL REDEVELOPMENT**

The regional growth of manufacturing and the successful build-out of industrial business parks near the Corridor, including the Northwest Side Industrial Park, and more recently the Towne Corporate Park, may suggest an opportunity to reposition parts of the Corridor that are less viable for retail uses as a business/industrial park. As demonstrated above, the Corridor is located in an established industrial area of the region, with a number of other business parks nearby, many of which are fully built or have limited land available. The City can offer competitive industrial land prices relative to its suburban neighbors; land prices of approximately \$60,000 to \$70,000 per acre may be low enough to make urban industrial land competitive with suburban locations, and if industrial absorption on the northwest side continues, there may be a growing demand for new industrial parks.

There is some existing interest in reusing commercial structures on the Corridor for industrial uses. In addition to the re-tenanting of the former Walmart with an industrial user called Engine & Transmission Exchange, the Village of Brown Deer has the former American TV and Appliance store under contract, and has had interest in that site from manufacturing and distribution users. According to recent news articles, Penzey's Spices is also interested in redeveloping the Mall building for use as its consolidated office and distribution facilities. This redevelopment, which would include a small retail facility and demonstration kitchen, has the potential to be a major catalytic development for the Corridor. It would reduce or remove the blighting effects of the vacant Mall, bring economic activity to the Corridor, and more firmly establish an industrial presence on the Corridor. As part of its effort to gain control of the site, the company purchased the ring road that surrounds the Mall. However, an attempt to gain control of the Mall building through a foreclosure claim was recently defeated, so the future of this planned project remains unclear.

Retail sites with low visibility and high vacancy may be well suited to redevelopment as industrial spaces. This may include high-vacancy shopping centers on deep lots or the numerous retail boxes along 76<sup>th</sup> Street that have relatively low visibility and poor access. Although there may be opportunities to locate industrial uses in other existing retail structures, some of the existing building formats may not support typical industrial users. Modern industrial standards normally require 25-foot clear heights in buildings, accessible loading docks, and building depths of 120 feet and many of the older retail structures in the Corridor may have lower ceilings, narrower buildings, and less accessible site configurations. The suitability for industrial reuse of existing structures may need to be determined on a case-by-case basis.

The Northridge Mall site is one of the only large sites on the northwest side of Milwaukee that may be available for redevelopment. A large-scale planned industrial development could have a transformative impact on the Corridor. However, there are challenges to this strategy: the site along with adjacent outlots and shopping centers along 76<sup>th</sup> Street currently have multiple owners and existing structures, which means that site assembly and preparation would be required for any large-scale redevelopment. High vacancy in some of these sites may motivate retail property owners to sell; however, owners with limited debt on their properties may not have sufficient incentive to sell. The success of many existing parks appears to depend on a suburban park-like setting, which might be difficult to achieve on smaller sites on a commercial corridor with existing buildings. Due to the challenges of assembly and master planning, it is possible that a more incremental approach to industrial development, which requires less up-front investment, might be easier to implement and more successful. A few smaller industrial conversions might build momentum for later redevelopment efforts.

## INDUSTRIAL MARKET CONCLUSIONS

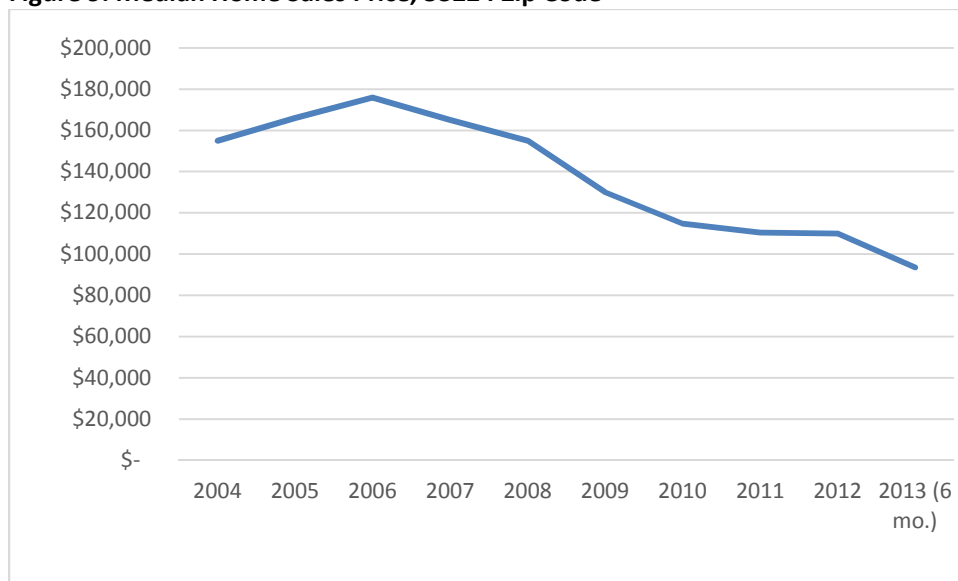
The momentum of the industrial market in northwest Milwaukee and its surrounding suburbs suggests there may be market support for industrial development along the Brown Deer Road Corridor. The historical track record of industrial growth in the area and recent successes in attracting industrial users to the Corridor indicate that additional industrial users may be willing to reuse or redevelop commercial spaces along Brown Deer Road, particularly if land prices are competitive with those at existing suburban business parks. The Corridor and the Mall site may offer an opportunity for larger-scale industrial development. However, repositioning these properties for industrial development may require site assembly and demolition or re-configuration of existing improvements. The scale and timing of these investments, and the level of public involvement in potential repositioning of these properties, should be determined based on financial feasibility, and may require the commitment of a private partner to develop all or part of the site.

## Residential Market Assessment

A number of factors impact the feasibility of residential development along the Corridor. These include the performance of existing residential properties, demographic trends, and the perception of existing neighborhoods adjacent to the Corridor. The challenges and opportunities for residential development are summarized below:

### MARKET CHALLENGES

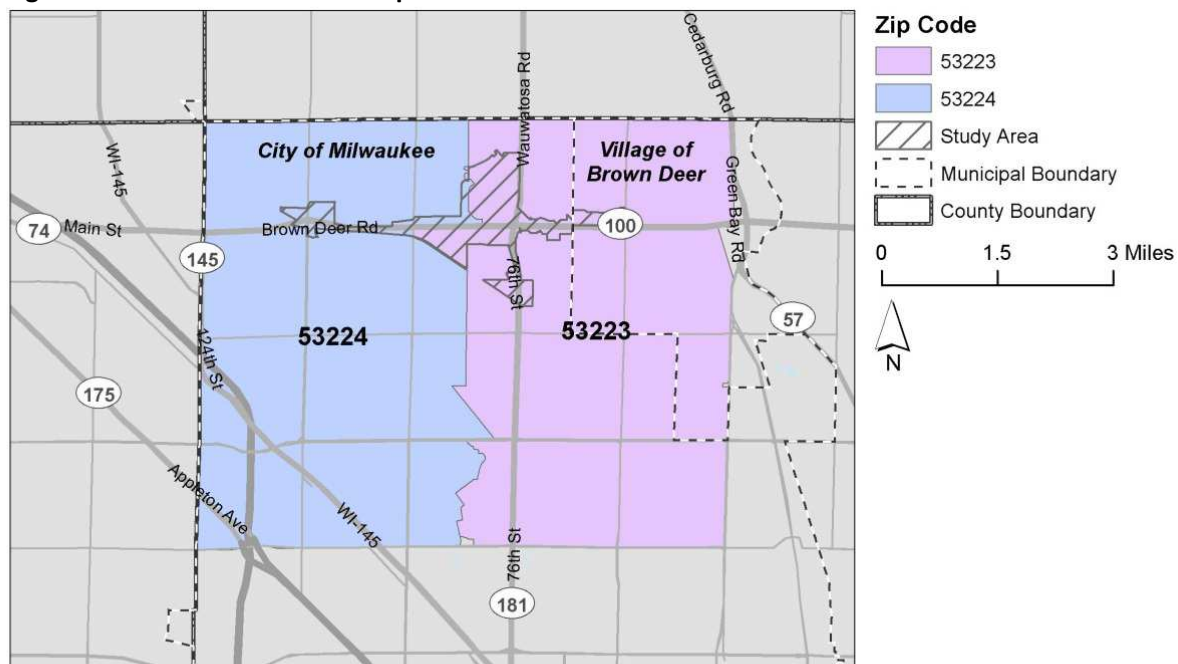
- **Low Home Values.** Home values are relatively low in neighborhoods surrounding the Corridor, particularly within the City of Milwaukee. Multiple listing service (MLS) data indicate that the median sales price of single-family housing in the 53224 zip code, which includes the majority of the Corridor, fell 34 percent between 2006 and 2012, from \$176,000 to \$110,000 (**Figure 9**). Within the neighborhoods immediately adjacent to the Corridor including Northridge Lakes, Hilltop Parish and Servite Woods, home prices are much lower than median values in the zip code. The current median list price for attached and detached single-family housing is \$64,700, and the upper decile list price is approximately \$126,800. At these prices, it appears unlikely that new home construction would be financially feasible. In addition, there are existing subdivisions and housing developments in the vicinity of the Mall site, including Northridge Lakes, Ridgewood and Westridge Apartments, and the Woodlands, with land available for housing development; thus, there does not appear to be a near-term demand for single-family housing on the Brown Deer Road Corridor.

**Figure 9. Median Home Sales Price, 53224 Zip Code**

Source: MLS, SB Friedman Development Advisors

- **Perception.** The perception of high crime in the residential areas around the Mall further limits the desirability of housing in the neighborhoods adjacent to the Corridor. Enhancing the appearance and perception of these neighborhoods may be necessary to improve home values. There may be a need for coordinated property management, including tenant screening, on-site security and building maintenance, to address these perception problems, provide enhanced security within these neighborhoods, and market the area to new residents. The Granville BID has already implemented programs to address these concerns, including providing police bicycles for better neighborhood patrols.
- **Limited Household Growth.** The number of households within the zip codes 53223 and 53224 (**Figure 10**), which encompass the Corridor and surrounding portions of the Northwest Side of Milwaukee and Village of Brown Deer, is not projected to grow significantly in the next five years. According to ESRI projections, these two zip codes together will add approximately 236 new households between 2013 and 2018, at a compound annual growth rate of 0.23 percent (**Figure 11**). Since net increase in households is a primary driver for housing demand, the low projected household growth suggests limited housing demand.



**Figure 10. Total Households for Zip Codes 53223 and 53224**

Source: Esri, SB Friedman Development Advisors

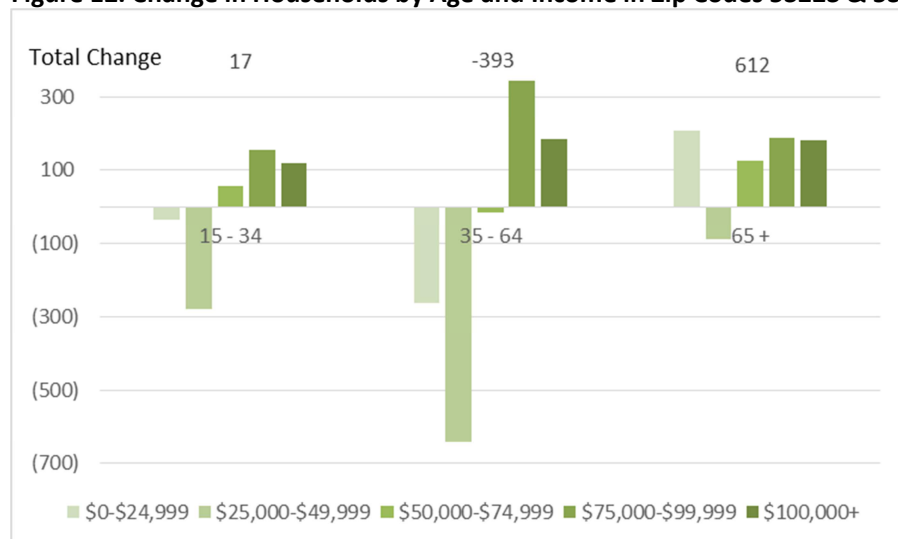
**Figure 11. Total Households for Zip Codes 53223 and 53224**

<b>2013</b>	20,193
<b>2018</b>	20,429
<b>Change 2013-2018</b>	236
<b>Compound Annual Growth Rate</b>	0.23%

Source: Esri, SB Friedman Development Advisors

## MARKET OPPORTUNITIES

- Growing Senior Population.** As shown in **Figure 12**, zip codes 53223 and 53224 is expected to add more than 600 householders of age 65 years and older. Nearly 20% of the net new householders are projected to have incomes less than \$50,000 and over 60% of the new households are projected to earn more than \$75,000. This suggests there may therefore be a growing demand for both market rate and affordable senior housing. The Alexian Village senior housing facility located to the north of the Mall site is a Continuing Care Retirement Community that provides over 90 age-restricted housing units within the area. There may be opportunities for this facility to expand in order to accommodate a growing senior population. Additional sites for development are discussed below.

**Figure 12. Change in Households by Age and Income in Zip Codes 53223 & 53224, 2013 – 2018 [1]**

Source: Esri Business Analyst, *SB Friedman Development Advisors*

[1] Adjusted to 2012 dollars using the CPI for the Chicago-Gary-Kenosha area

- Available Sites for Residential Development.** In addition to vacant land located north of the Mall adjacent to the Alexian Village senior housing, there are a few sites in the Village of Brown Deer that may be suited for residential development, if demand arises. These include a 2.3-acre site off of Park Plaza Court, behind the Brown Deer Center shopping center and the planned Walmart Super Center, and two sites totaling 3.5 acres located north of Brown Deer Road to the east and west of 60<sup>th</sup> Street.

Falling home values and lack of population growth in the zip codes surrounding the Corridor, and low for-sale housing prices in the neighborhoods adjacent to the Corridor, indicate a limited market for for-sale residential development in the short term. Perception issues further limit the appeal of redeveloping the Mall area with residential uses. Substantial recovery of home values and changes in the area's perception would likely be necessary for single-family housing development to be feasible in or near the Mall area. However, changing demographics indicate a potential future demand for senior housing in this area. Such development could likely be accommodated on vacant sites adjacent to existing residential development.

## Office Market Assessment

There are 10 office buildings totaling 296,000 square feet of rentable area along the Corridor, with an overall vacancy rate of 23.7 percent. The largest existing office building, located at the corner of Brown Deer Road and 76<sup>th</sup> Street, is partially occupied by Foot Locker corporate services. This 176,000-square-foot building has been 37.5 percent vacant since 2011. Vacancy in the other office buildings on the Corridor has been declining since 2006, from an average of 15.5 percent vacancy in 2006 to 3.6 percent vacancy in 2013. This is in part due to lease-up in the most recent office development, a 22,000-square-foot building on Brown Deer Road in front of Granville Station that was built in 1974 and renovated in 2007. This building was more than 60 percent vacant in 2006 but has been fully occupied since 2009 following its renovation. Back-office uses, including customer service call centers and business support services, medical office uses, banks and insurance companies, law offices, and not-for-profit institutions are the primary occupants of these offices.

There is some existing vacant land adjacent to one of the office buildings, on the north side of Brown Deer Road between 70<sup>th</sup> and 76<sup>th</sup> Street, next to Northridge Lake, that may be suitable for additional office development. However, gross office rents along the Corridor are between \$12 and \$18 per square foot, which are likely too low to support new speculative office development in the short term. Additionally, there are over 70,000 square feet of available vacant office space that could likely accommodate any near-term office tenants, although some renovation and rehabilitation may be needed to modernize older buildings.

## Other Potential Uses

### INSTITUTIONAL USES

Institutional uses, such as libraries or schools, can serve as community anchors. In addition, they may provide an opportunity to increase the number of visitors to the Corridor and re-tenant vacant space. Institutional uses that might be considered include:

- **Community Facility.** There is an existing YMCA community services center to the west of the Mall on Swan Road. The site has low visibility from Brown Deer Road, and is accessed from a private driveway. The YMCA may be willing to relocate the center within the Corridor to a more visible and accessible site near existing retail services.
- **Educational Facility.** Both public and private educational facilities can generate economic activity while providing services to the nearby households. Milwaukee Area Technical College (“MATC”) has already been working with the Granville BID to provide some training courses at the BID’s offices, including soft skills development and management skills. These programs have been successful, and stakeholders have expressed a desire for MATC to establish a permanent presence, perhaps locating a satellite facility on the Corridor.

### HEALTHCARE FACILITIES

Healthcare is a growing industry nationwide. The aging population, policy changes of the Affordable Care Act, and scientific advances are driving a rise in demand for medical services. According to the U.S. Department of Health and Human Services, adults aged 65 and older average twice the number of medical office visits of adults aged 45 to 64. Population growth and the passage of the Affordable Care Act may result in an overall 18.6 percent growth in the insured population by 2020, according to the Congressional Budget Office. Technological advancements in medicine mean that more procedures can be done on an outpatient basis. These emerging trends in the healthcare industry are changing the character of medical real estate and the typical formats of healthcare service delivery. There are three major real estate products that will be prevalent in this new healthcare delivery system:

- Large hospital networks with clinical research facilities;
- High-quality, hospital-affiliated medical office buildings (MOBs), or outpatient pavilions, which combine general or specialist MOB with outpatient surgical centers and diagnostic imaging; and
- Low-cost, walk-in, high-volume neighborhood healthcare clinics and offices.

Demand is anticipated to increase nationally for multi-service neighborhood clinics that offer coordinated, patient-oriented care; neighborhood-based primary care clinics will likely be the front line of healthcare delivery. Although the Brown Deer Road Corridor is not in a primary healthcare professional shortage area (as designated by the U.S. Health Resources and Services Administration),

development of a neighborhood healthcare center on the Corridor may be feasible. It is an area with a shortage of mental health and dental care professionals, and a community-based healthcare facility in this location can serve as a non-traditional anchor for retail centers. Occupying existing retail spaces can be an inexpensive and efficient way to deliver these new products to market quickly and access markets that might not otherwise be cost-effective for medical development.

## **ENTERTAINMENT AND RECREATIONAL USES**

Entertainment and recreational uses, including indoor sports facilities, have the potential to generate activity, anchor retail centers, and occupy retail or other existing spaces. Ray's Indoor Mountain Bike Park, which is located within the study area at 8365 N. 76<sup>th</sup> Street, is one such example of re-use of an existing structure for recreational purposes. Entertainment and recreational uses, including indoor fields and gymnasiums, bowling alleys and other game venues, and trampoline, paintball and other wild-card entertainment uses, may provide opportunities to reuse existing space within the Corridor.

## **Potential Redevelopment Strategies**

Based on the market assessment findings presented above, there appear to be three main strategies that could help spur reinvestment in the study area:

- Industrial reuse/redevelopment, either through a catalytic project or a gradual approach;
- Retail realignment and consolidation; and
- Improving perception.

These strategies are described in detail below. It is important to note that these strategies are not mutually exclusive; in fact, to a large extent they are complementary, and would be most effectively deployed together to address different target areas of the Corridor.

## **INDUSTRIAL REDEVELOPMENT**

As stated above, the strong performance of industrial real estate in the region and decline of traditional retail activity in the study area could provide an opportunity to transition underperforming retail properties to light industrial use. The size of the vacant/underutilized properties at the Northridge Mall site and its location near successful business parks present a rare opportunity to create a signature industrial park that could transform the image of the Brown Deer Corridor and catalyze investment in the surrounding area, particularly if a high-profile developer and/or anchor tenant is involved.

Currently, the vacant sites at the Mall are owned by a Beijing-based investment company called U.S. Toward Enterprise Group Inc., and Penzey's Spices. Additionally, there are several underutilized and vacant sites to the north and east of the Mall with multiple owners that could be assembled to form a critical mass of land for business park development. As previously indicated, Penzey's Spices has expressed interest in redeveloping part of the Mall building for use as its consolidated office and distribution facilities and a small retail facility and demonstration kitchen. Such a development could jumpstart the transition of the vacant mall area and underutilized outlots to industrial uses and attract additional businesses.



The business park redevelopment could also occur through a partnership with a reputable well-capitalized private developer who would be responsible for assembling land, developing and marketing the business park. The City's role could be limited to providing the right zoning framework for the project and delivering infrastructure, which could be constrained to off-site improvements or include some on-site facilities (such as shared stormwater detention). City support could help the developer reach a price point and level of amenity that would be competitive with other competing business parks. In exchange, the developer could agree to performance standards on job density, job quality and minimum FAR, similar to those in place in other City-sponsored industrial parks (e.g., the Menomonee Valley Industrial Center and Century City).

However, if a private partner is unavailable or the City has other priorities that take precedence (e.g., Century City), industrial redevelopment could proceed through an incremental transition of retail space to industrial over time. In such a scenario, the City could adopt an appropriate planning and zoning framework to ensure that the area transitions into a cohesive business park-like environment over time. The City would provide phased enhancements to streetscaping and infrastructure in conjunction with redevelopment to increase the area's attractiveness for high-quality light industrial users.

Whether industrial redevelopment occurs through a major catalytic project or a more incremental approach, the City could identify sites with the greatest potential for industrial conversion and ensure that appropriate zoning is in place to facilitate the transition of the area to a functioning business park. As previously mentioned, sites with less visibility and deep lot lines and buildings are likely to be the most attractive for industrial conversion. The vacant properties of the former Northridge Mall and its associated outlots toward the east that have relatively less visibility from Brown Deer Road would seem particularly well-suited from this perspective. The relocation of ETE to the south side of Brown Deer Road suggests that other sites that have significant retail vacancies and are of sufficient scale could be suitable for industrial rezoning as well.

## RETAIL REALIGNMENT

Despite the changes in the competitive landscape and consumer shopping patterns described in the Retail Market Findings section, the configuration of stores and shopping centers along the Brown Deer Corridor still reflects the format of a regional shopping cluster. A strategy that repositions existing retail to serve the local community-based market area could help the Corridor stabilize around a new identity and provide an amenity for new industrial users as well as existing businesses and residents. The key components of this realignment would include the following:

- **Focus retail at key nodes** with high visibility and appropriate lot and building configurations for neighborhood-serving retail. The outlots along Brown Deer Road, in particular, should be preserved for retail use given that they have been performing significantly better than other retail formats in the Corridor.
- **Allow service and institutional uses** that complement retail and serve the community. Educational, health care, sports-related uses and community facilities can generate traffic and activity that help support retail users and fill vacant space that may be less desirable from a retail standpoint.
- **Engage and support shopping center owners** to reinvest in and improve the appearance of their properties. While much of this engagement could take the form of periodic check-in calls to owners and attendance at BID meetings, the City may also prioritize Corridor businesses for limited financial support in the form of façade improvement grants or small loans.

**IMPROVING PERCEPTION**

While an area's reputation can prove resilient even as the facts on the ground change, the perception of the area cannot be changed without concerted action. To that end, continuing to work with the BID and property owners on security issues is an important way to address crime and fear of crime, and signal to businesses and owners that the City takes their concerns seriously. Targeted code enforcement could help improve the Corridor's public appearance and also signal that the City expects responsible property management. Finally, streetscaping and strategic investment in infrastructure can show that the City is committed to improving the Corridor and could help attract higher quality users if coordinated with private redevelopment efforts.